

External Directors Roundtable Discussion

Based on a Sure Grasp of the Issues, Supporting
ULVAC's Growth from an External PerspectiveHiroyuki Nishi
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External DirectorYoshimi Nakajima
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External Director

Having completed the previous mid-term management plan, which was launched in FY 2020, ULVAC has launched a new plan targeting new growth. What did ULVAC achieve, what issues are left unresolved, and what has changed in the past three years?



Hiroyuki Nishi External Director

Became an External Director of the Company in September 2020 after serving as Director of Nippon Life Insurance Company, President and Chief Executive Officer of Nissay Asset Management Corporation, and President and Chief Executive Officer of Nissay Credit Guarantee Co., Ltd.

Looking back on the previous mid-term management plan, what is your take on the achievements? Also, what are the issues that remain to be addressed under the new mid-term management plan?

Nishi: ULVAC achieved gratifying results until the second year of the previous mid-term management plan, although the profit target for the final year was not achieved. Meanwhile, ULVAC formulated Vision 2032, clearly plotting its long-term trajectory, which is noteworthy.

I think the ability to get the job done (ability to execute) was insufficient. In terms of their mentality, ULVAC Group companies should be predisposed to share their respective problems, risks, strengths, etc. throughout the Group. "Visualization" of quantitative management of initiatives is necessary so that departments and employees take ownership.

In terms of risk awareness, the impact of longer parts delivery lead times was already evident two years ago. ULVAC should have been more acutely aware of this and taken action earlier. As for global business development, it would be prudent to recognize the need to mitigate geopolitical risks. Given the continuing U.S.-China economic confrontation, overdependence on business in China should be avoided.

However, while these matters do require attention and improvement, looking to the future, there is plenty of room for growth. During the three years of the new mid-term management plan, I expect ULVAC to undergo a transition and strike out in new ways as it advances to the next phase.

Uchida: During the three years of the previous mid-term management plan, the direction in which ULVAC should proceed has been clarified through a top-down approach. Although a "corporate culture of thinking" has been inculcated, issues remain in terms of execution capabilities. I think ULVAC needs to cultivate a "corporate culture of getting things done."

New businesses such as equipment for EV batteries have achieved growth. ULVAC has engaged in several joint research projects with universities and battery manufacturers while maximizing the use of its internal resources. Joint development and alliances with external parties should be expanded in various forms worldwide. I want ULVAC to maintain a long-term perspective and continue to create innovation.

ULVAC's financial constitution is sound. However, I believe "visualization through quantitative management" is necessary in order to grasp the progress of initiatives, such as those to strengthen manufacturing capabilities, in fine-grained detail.

Moreover, marketing will become increasingly important amid accelerating global business development. So, there is an urgent need to develop and acquire global human resources capable of envisioning scenarios from a broad perspective.

Ishida: I completely agree with both of you. ULVAC now has a good grasp of the various issues it needs to address. Firstly, it is commendable that ULVAC achieved the initial target for net sales under the previous mid-term management plan through its tenacious efforts. Looking at the three-year performance, not just the final year, we can say that ULVAC's results were quite good. In the past, poor performance of a particular division would have a major impact, undermining the performance of the company as a whole. This is no longer the case. Indeed, ULVAC's management has become more resilient.

Secondly, ULVAC made steady progress with regard to investment in development. In FY 2022, R&D cost amounted to ¥13.8

billion (6.1% of net sales) and R&D capital investment was ¥11.9 billion (5.2% of net sales). Together they accounted for more than 10% of net sales. Concentration of resources on the semiconductor-related business, which is a growth driver, has been yielding good results.



Norio Uchida External Director

Became an External Director of the Company in September 2015 after serving as Representative Director, President & CEO of TOPCON CORPORATION.

Thirdly, I think ULVAC's absorption-type merger of two Japanese manufacturing subsidiaries is an astute move. As "ONE ULVAC," a sense of unity has been created throughout the company. I would like to see ULVAC's initiatives link this momentum to productivity improvement of manufacturing operations in Japan.

On the other hand, ULVAC is still oriented toward Japan and the global perspective is weak. Regarding optimization of production, it will be increasingly necessary to adopt a global perspective, which means tackling optimization of not only Japanese sites but also overseas sites. I feel ULVAC is not up to speed when it comes to integrating production systems and sharing data across the Group, including overseas sites. Faster action is desirable to transform the portfolio of the FPD production equipment business and to improve productivity of the electronic device production equipment operation.

Nakajima: Several unexpected developments occurred over the past three years. It is regrettable that ULVAC's responses to them have been inadequate.

Everyone has focused on the ability to execute. Likewise, I also want to see ULVAC adopt a "get it done" attitude. The numbers show the results of initiatives. ULVAC should enforce targets as yardsticks of progress and

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tackle them by setting priorities. Although initiatives are diligently carried out, analysis of reasons for the achievement or non-achievement of plans seems to be insufficient. To deal with this, management's mindset must be changed. I believe the corporate culture will change if leaders speak up, expressing themselves in their own words, and encourage dialogue among organizations. ULVAC has just become aware of such internal problems. In order to facilitate proactive change, both personnel and organizational approaches will be necessary. This is an area in which I have high hopes that the HQ system will prove to be effective.



Yoshimi Nakajima External Director

Became an External Director of the Company in September 2018 after serving as Vice President of Citibank, N.A., Senior General Manager of Societe Generale Securities Services, and President and Representative Director of American Express Japan Co., Ltd.

So, what points should we keep in mind in order to maximize the effectiveness of the HQ system introduced in FY 2023?

Nakajima: The HQ system introduced from the current fiscal year will be an effective organizational strategy, only if authority and responsibility are clarified and the skills required of human resources are also clarified. I think we must not lose sight of these prerequisites for success.

Nishi: I have great expectations of the switch to the HQ system that is designed to facilitate cross-organizational initiatives.

I believe ULVAC has established a system to firmly implement the PDCA cycle. Of course, as Ms. Nakajima pointed out, care should be taken to ensure that the reorganization doesn't become simply a matter of form. At the same time, it will be necessary to "visualize" the initiatives and share them throughout the

company. The new mid-term management plan continues several of the themes of the previous mid-term management plan. In other words, the next three years will be a period in which ULVAC will once again take on the challenge of capturing growth opportunities and improving the profit margin, and the entire Group is urged to "get it done." In regard to the introduction of the HQ system, as well as the timing of this move, President Iwashita's determination to make it a resounding success was impressive.

Ishida: The introduction of the HQ system is highly significant in terms of expanding product fields and responding to global business development. I have high expectations of the HQ system. I would like to see smooth collaboration among organizations to achieve results. "People" are the key to success. Human resources must be secured and deployed to maximum effect. It is also important to promote mutual understanding and cooperation among organizations based on priority management for the entire Group. In order to implement the planned production that ULVAC is working on under the new mid-term management plan, the system needs to be restructured, including the approach to inventory management. I would like to see ULVAC strengthen collaboration among Group companies and HQs, and to design and establish a production system capable of contributing to further enhancement of ULVAC's corporate value.

Uchida: Success in putting this organizational theory into practice hinges on speedy management decision-making and information sharing. And as Dr. Ishida commented, ULVAC has to get this done worldwide, not just in Japan. ULVAC should select and deploy human resources who have what it takes to manage the business, although this is easier said than done.

Ishida: ULVAC needs to think about deployment of global human resources.

Uchida: Developing human resources, especially people who can handle marketing and global management, is a very time-consuming endeavor. In my opinion, ULVAC should vigorously promote excellent global human resources to key positions and give them room to demonstrate their full potential in achieving an effective future-oriented organization.

Nakajima: For those who have never experienced global management, I think it tends to be pie in the sky. Negotiations between organizations based on priority management are also very different from how things are typically done in Japan.

Nishi: Going forward, there is an urgent need for a break with the past as regards assignment and development of human resources.

As an external director, what contribution do you hope to make to ULVAC's future growth?

Nakajima: In our roles as external directors, I believe the four of us are deepening discussion at the Board of Directors by drawing on our respective expertise.

As indicated on the skills matrix, my expertise as an external director centers on "corporate management," "global," and "sales and marketing." I often express my opinions on human resources systems, evaluation, and succession planning, and I also serve as chairman of the Committee for Appointment and Remuneration, etc. In addition, I have been encouraging ULVAC on diversity, including the active participation of women, and will continue to do so.

Nishi: As well as experience in management, I have expertise in risk management gained at an insurance group, including in asset management. I would like to contribute to execution of the new mid-term management plan by offering advice based on my experience and expertise. I have a particular interest in identifying and managing risk and in the connection between risk and business results. That is the perspective from which I intend to offer my opinions, rather than simply being risk-averse.

Focusing on the PDCA cycle of initiatives, I would like to make myself useful by helping to identify the reasons why plans remain unfulfilled and problems arise, and in implementing measures to deal with these issues.

Ishida: Concerning the stance of external directors, I don't think they should be constrained by their formal role of "monitoring management as a representative of stakeholders." Rather, by having as much two-way communication as possible, I want

to learn about the business and the corporate culture by putting myself in the shoes of those who work at ULVAC.

So, more opportunities for communication with people in the company would be welcome. I would like to vigorously exchange opinions and offer advice with my interlocutors to support the execution of the new mid-term management plan.



Dr. Kozo Ishida External Director

Became an External Director of the Company in September 2016 after serving as Vice Chairman and Representative Director of HORIBA, Ltd.

Uchida: Many listed companies appoint lawyers, accountants, university professors, and the like as external directors, but all four of us, who serve as ULVAC's external directors, have experience as corporate managers, which is very unusual. This may be one reason why in-depth discussion of management issues is the norm at ULVAC's Board of Directors meetings and why those meetings are so valuable, interesting, and meaningful.

I have experience in conducting M&A, centering on overseas deals, as CEO of a company. Mr. Nishi, Dr. Ishida, and Ms. Nakajima also have extensive experience and knowledge. As ULVAC moves forward with its initiatives under the new mid-term management plan, I think we can support ULVAC by offering a good advice.

We can also offer advice on compliance and corporate governance, making timely interventions to confirm that all is as it should be. Each of us is committed to fulfilling our responsibilities as an external director, aiming to be someone whom the younger generation, the future leaders of ULVAC, will consult and seek advice from.